

Calendar No. 904

69TH CONGRESS }
1st Session }

SENATE

{ REPORT
No. 897

ASSESSMENTS AND TAXATION IN THE DISTRICT OF COLUMBIA

MAY 21, 1926.—Ordered to be printed

Mr. JONES of Washington, from the Committee on the District of Columbia, submitted the following

REPORT

[To accompany S. 3053]

The Committee on the District of Columbia, to whom was referred the bill (S. 3053) to amend sections 5, 6, and 7 of the act of Congress making appropriations to provide for the expenses of the government of the District of Columbia for the fiscal year ending June 30, 1903, approved July 1, 1902, and for other purposes, having considered the same, report favorably thereon with the recommendation that the bill do pass with the following amendments:

The title should be changed to conform with amendments to the bill by inserting the word "and" preceding the numeral "6" and striking out "and 7."

Page 2, line 8, strike out the word "May" and insert in lieu thereof "January."

Page 3, line 8, strike out the word "May" and insert in lieu thereof "March."

Page 3, line 20, strike out the word "hereafter."

Page 3, line 21, strike out the word "November" and insert in lieu thereof "September."

Page 3, line 22, strike out the word "May" and insert in lieu thereof "March."

Page 4, line 7, strike out the word "May" and insert in lieu thereof "March."

Page 4, line 10, strike out the word "May" and insert in lieu thereof "January."

Page 4, line 14, strike out the word "August" and insert in lieu thereof "July."

Page 4, line 15, strike out the word "January" and insert in lieu thereof "December."

Page 4, line 20, strike out the words "deliver to the collector of taxes tax ledgers" and insert in lieu thereof "be charged with the duty of preparing the annual tax ledgers."

Page 4, line 21, strike out "and to" and insert "which shall."

Page 4, line 22, after the word "preparation," insert "by him."

Pages, 4, 5, 6, and 7, strike out all of sections 9, 10, and 11 and insert in lieu thereof the following:

SEC. 9. That section 1 of "An act to amend an act entitled 'An act in relation to taxes and tax sales in the District of Columbia,' approved February 28, 1898," approved July 1, 1902, is hereby amended so as to provide that the Commissioners of the District of Columbia shall give notice by advertising twice a week for three successive weeks, beginning on the third Monday in December of each year hereafter, in the regular issue of three daily newspapers published in said District, that the said pamphlet has been printed.

SEC. 10. That the provisions of this act shall be in force and effect on and after December 1, 1926.

The primary purpose of the bill is to improve administrative conditions in the assessment of property in the District of Columbia, and the collection of taxes.

The present law provides for only five assistant assessors, but six are provided for in the annual appropriation bills, and therefore section 1 of the bill hereby reported is intended to make the law conform to actual conditions. Three of the assistants will be designated by the assessor for the assessment of real estate, and the other three to assess personal property; the assessor and all six assistants to constitute the board of equalization and review of real estate assessments and also the board of personal tax appeals.

In section 2 and the following sections of the bill changes have been made in the designation of the months, to conform to the recommendations of the auditor of the District of Columbia before the Senate subcommittee on District appropriations, and in his letter hereto appended. The purpose is to make possible compliance with the provision of the District appropriation act approved June 29, 1922, requiring the District to operate on a strictly cash paying basis by July 1, 1927. At the present time, the first half of District taxes, both real and personal, is paid in November; the second half in May; with the result that for five months of each half of the fiscal year expenditures for operation of all departments of the District government (amounting to more than \$30,000,000 annually) are made ahead of collections. In other words, the expenditures are about five months ahead of the revenues from which the expenditures are presumed to be made. For that reason, advancements have been made by the United States Treasury to the District government to meet current obligations each year, and Congress decreed in 1922 that this practice must cease July 1, 1927.

Accordingly, for each of the five fiscal years beginning July 1, 1922, the District has been and is raising an additional sum of \$600,000, which will amount to a surplus of \$3,000,000 by July 1, 1927, and provide a working fund, together with the annual Federal contribution, to make possible the cash-paying basis prescribed by Congress. However, unless the tax-paying months are advanced from the present November and May to September and March, as provided by the amendments to the bill reported, thus enabling the District to have the use of its major revenue at a time reasonably approximating the beginning of each half of the fiscal year, it would

be necessary to increase the cash fund of \$3,000,000 to probably \$6,000,000.

The other changes effected by the bill largely result from the fact that for many years prior to July 1, 1902, tax payments were made in May, with the option of paying one-half of the tax in November of the previous year. The administrative machinery for preparing ledgers, assessments, bills, etc., had been provided by Congress for the collection of funds chiefly in May, and when, by the District appropriation act approved June 29, 1922 the payment in November was no longer optional but became compulsory, no changes were made in existing laws that would enable the assessor's office in its assessment work to readily meet the changed conditions.

The other effects of the present bill are as follows:

Section 2 provides that a person maintaining a residence in the District for six months or more in any one year shall be subject to taxation on his intangible personal property, with the exception of Cabinet officers and persons in the service of the United States Government elected for a definite term of office. This section overcomes the difficulty often encountered as to place of abode being based on mere declaration of purpose.

Section 3 provides that new buildings shall be added to the tax list every 6 months instead of every 12 months, as at present. Some new improvements now escape taxation for a period of six months, and this situation is corrected by the bill reported.

Section 4 requires that "all real estate and personal property in the District of Columbia subject to taxation shall be listed and assessed at not less than the full and true value thereof in lawful money." This more clearly defines full-value assessment than the present law.

Section 5: At present public utilities, banks, building associations, and similar organizations are required to pay taxes at only one period of the year, namely, the month of May. Other owners of real estate and personal property under existing law, as previously stated, are required to make payments semiannually, with the result that there is discrimination against them in favor of the interests first mentioned. This section corrects that situation by requiring all taxes of whatever nature to be paid semiannually.

Section 6 provides for the filing of returns of personal property, for taxation purposes, in the month of March instead of in July as at present. July has been inconvenient for the purpose mentioned because of the absence from the city of many taxpayers. Furthermore, the making of personal property tax returns will now coincide with the time for payment of semiannual taxes, so that the taxpayer need make but one visit to the District building. The time of making returns is advanced to six months before the time of payment, giving opportunity for appeal from the assessment.

Section 7 provides for hearings by the board of personal tax appeals from July to December, and permits of assessment of personal property prior to the month (September) when the first half of the tax is due and payable.

Section 8 gives legal sanction to the present practice of preparing tax ledgers under the numerical instead of the alphabetical system. The numerical system has been recently adopted and permits of a better audit of tax collections.

The committee has struck from the bill the original sections 9 and 10 thereof because they concern additional license taxes or fees imposed upon phrenologists, dancing instructors, and public guides. It is believed that such matters should be dealt with in a separate bill, in the consideration of which attention can be given to readjustment of all similar license fees, so that there may be a proper relationship.

The committee has also struck from the bill section 11, providing that no deed or other instrument transferring title to real estate shall be recorded unless accompanied by a sealed, confidential statement addressed to the assessor of the District of Columbia, giving detailed information as to the exact consideration paid; a fine being imposed for the giving of false information. It is not believed that this section could be effectively enforced, particularly as regards the detection of false statements; with the result that the assessor's office would in time rely to too large an extent on the statements filed with deeds, instead of continuing to seek independently dependable information as to the true value of property for assessment purposes. Furthermore, there are many cases in which the consideration paid is either substantially more or decidedly less than true value. The assessors' organization, if properly organized and directed, should bear the responsibility and be readily able to determine accurately the full and true value of real estate within the District of Columbia.

Section 9, added by amendment moves up to December the time for advertising of the annual tax sales, so that the date of sale will not conflict with the new time provided for the collection of taxes.

Section 10, as amended, gives effect on December 1, 1926, to the changes provided in the bill. Any other date would seriously conflict with changes in the methods of the assessor's office of making assessments and holding appeal hearings.

It is believed that the changes contemplated by the bill will result in increased economy and efficiency in the handling of the financial affairs of the District of Columbia.

Appended hereto and made a part of this report are letters from the Commissioners of the District of Columbia, and the District auditor, recommending enactment.

COMMISSIONERS OF THE DISTRICT OF COLUMBIA,
Washington, February 6, 1926.

Hon. ARTHUR CAPPER,
*Chairman Committee on the District of Columbia,
United States Senate, Washington, D. C.*

SIR: The Commissioners of the District of Columbia have the honor to inclose herewith draft of a bill entitled: "A bill to amend sections 5, 6, and 7 of the act of Congress making appropriations to provide for the expenses of the government of the District of Columbia for the fiscal year ending June 30, 1903, approved July 1, 1902, and for other purposes," with request for its introduction and enactment.

The object of the bill is to amend existing law regarding the assessment of real and personal property in the District of Columbia, and to make certain changes in the law regarding licenses.

Section 1 of the bill provides that the permanent board of assistant assessors shall consist of six members instead of five. The present tax law provides for only five assessors, but six are provided for in the annual appropriation bills, and the object of this section is simply to make the law conform to actual conditions.

Section 2 of the bill defines who shall be a resident of the District of Columbia for the purpose of taxation. This provision is necessary for administrative purposes.

Section 3 of the bill gives authority to include in the assessment of real estate certain buildings erected after the assessment books have been made up.

Section 4 is a reenactment of existing law providing that property shall be assessed at not less than its true value.

Section 5 also reenacts a provision of existing law requiring taxes on real estate to be payable semiannually in the months of November and May of each year.

Section 6 provides that returns on personal property shall be made in the month of May in each fiscal year instead of during the month of July, as now provided by law, and that the value of said property shall be taken as of May 1 as a basis of assessment instead of July 1, as now provided by law.

Section 7 provides that the board of personal tax appeals shall convene on the first Monday in August of each year instead of convening on the first Monday in January.

Section 8 merely continues the present practice of requiring the assessor to deliver to the collector of taxes ledgers kept on a numerical system instead of an alphabetical system.

Section 9 provides for making some minor changes in the license laws, which have been recommended by the major and superintendent of police as necessary to handle the matter of licensing of phrenologists and dancing halls.

Section 10 provides for licensing public guides. This has been recommended by the major and superintendent of police in order to properly regulate these guides, who are now transacting business without any regulation.

Section 11 is intended to require information to be given the assessor as to the consideration involved in the transfer of real estate. This information is necessary for the purpose of assessment.

The changes proposed in the bill make no radical departure from the provisions of the existing law, but are intended to improve the administration of tax and license matters.

Very truly yours,

BOARD OF COMMISSIONERS OF THE
DISTRICT OF COLUMBIA,
By CUNO H. RUDOLPH, *President*.

WASHINGTON, April 21, 1926.

HON. ARTHUR CAPPER,
*Chairman Committee on the District of Columbia,
United States Senate.*

DEAR SENATOR CAPPER: I beg to submit the following information respecting the need of the legislation contemplated by S. 3053, entitled "A bill to amend sections 5, 6, and 7 of the act of Congress making appropriations to provide for expenses of the government of the District of Columbia for the fiscal year ending June 30, 1903, approved July 1, 1902, and for other purposes."

For many years prior to July 1, 1902, tax payments were made in May, with the option of paying one-half of the tax in November of the previous year. The machinery for preparing ledgers, assessments, bills, etc., had been provided by Congress for the collection of funds chiefly in May, and when, by the District appropriation act approved June 29, 1922, the payment in November was no longer optional but was made compulsory, no changes were made in existing laws that would enable the assessor's office, in its assessment work, to readily meet the changed conditions.

In consequence, for administrative purposes the assessor's office has asked that certain legislation be enacted, as embodied in S. 3053. This bill defines the duties of the six assistant assessors; it provides for certain exclusions regarding those in the service of the United States Government; it changes the time of making returns of personal property, and provides for a new time limit as to the period for making appeals, and also provides for a method of gathering information concerning sales of real estate.

You have already been requested that S. 3053 be modified so that tax payments now required in November and May shall be made in September and March, and that a change shall be made in the time for tax sales, and in the time for making returns of personal property for the purposes of taxation. The change of tax payment months is necessary in order that the District may more easily and more readily be put upon a cash-paying basis as to the payment of expenses

by July 1, 1927. The District appropriation act approved June 29, 1922, requires the District to operate on a strictly cash-paying basis by the date named; and for each of the five fiscal years beginning with July 1, 1922, the District is raising an additional sum of \$600,000 a year, which will amount to \$3,000,000 by July 1, 1927, to enable it to operate on a cash-paying basis by that time. Unless the tax-paying months are advanced from the present November and May to the proposed September and March, thus enabling the District to have the use of its major revenue at a time reasonably approximating the beginning of the fiscal year in the one instance and the beginning of the second half of the fiscal year in the other instance, it would be necessary to increase the cash fund of \$3,000,000 referred to probably to \$6,000,000 to enable the District to operate on a strictly cash-paying basis within the time required by law.

As S. 3053 is now framed, with the amendments which I have suggested to you, the bill would accomplish the several purposes referred to. Chief among these would be the financial advantage in supplying the District with funds at an earlier date, thus enabling the District to meet its cash-paying demands under a more equitable arrangement.

Consideration of the bill is now taken up section by section:

Section 1.—This section defines the duties of the six assistant assessors, as the present law defines the duties of only five assistant assessors, a new assistant assessor having been added to the assessor's force without any explicit instructions as to his duties, as is the case with the five assistant assessors.

Section 2.—This section provides that a person maintaining an abode in the District of Columbia for six months or more in any one year shall be considered a resident of the District of Columbia for the purpose of taxation on his intangible personal property. This is to overcome the difficulty often encountered as to place of abode being based on the mere declaration of purpose. In section 2, line 8, the word "May" should be stricken out and the word "January" inserted. The change in the month is needed in order to harmonize the time with the change proposed in the tax-paying months. The proviso to section 2 also makes definite for the purposes of taxation the status of Cabinet officers and Members of Congress.

Section 3.—This section provides that new buildings shall be added to the tax list every six months instead of every 12 months, as now provided by law. Under the present law, new improvements escape taxation for a period of six months. It is proposed to remedy this by this section. In section 3, page 3, line 8, the word "May" should be stricken out and the word "March" inserted. All changes in months in the several sections are intended to harmonize time with the proposed change in the tax-paying months from November and May to September and March.

Section 4.—This section requires that property be assessed at not less than the full and true value in lawful money. The present law provides for such assessment at full value. The purpose of the new language is to more clearly define the meaning of full value assessment.

Section 5.—This section makes compulsory the payment of one half of the taxes during the month of September and the other half during the following March. This moves the tax-paying period two months earlier, and also makes definite the time of payment by public utilities, banks, building associations, etc., which are now required to pay at only one period, namely, in the month of May. There is no justification for this discrimination. In the general remarks in this letter, the imperative reason for the need of changing the tax-paying months has been discussed.

It is recommended that in section 5, line 20, the word "hereafter" be stricken out; that in line 21 the word "November" be stricken out and the word "September" be inserted; and in line 22 the word "May" be stricken out and the word "March" inserted.

Section 6.—This section provides that the period for making returns of personal property shall be moved forward from July to March, and the basic day from July 1 to January 1, thus providing for a better time of making returns, and a better day for basing returns. July has been in particular an inconvenient time because of the absence of so many taxpayers from the city, and moreover the making of returns during the time of tax payments will enable the taxpayer to make but one visit to the District building instead of two. Furthermore, the time of making returns is advanced to six months before the time of payment, which is desirable, as compared with the existing condition under which the payment for the first half of personal taxes is due and payable in November, and the assessment is not made until after the appeal period has expired in the following March.

It is recommended that in line 7 of section 6, the word "May" be stricken out and the word "March" be inserted, and in line 10 the word "May" be stricken out and the word "January" be inserted.

Section 7.—This section makes the period of appeal on personal property assessments over a more extended time and within better dates, and permits of the assessment of personal property being made prior to the month when the first half of the tax is due and payable. It is recommended that in line 14 of section 7, the word "August" be stricken out and the word "July" be inserted, and in line 15 the word "January" be stricken out and the word "December" inserted.

Section 8.—This section proposes to make effective the numerical system of keeping tax ledgers, which has been found to be the only system enabling a proper audit of tax collections, and is the system which has been recently adopted and is now in operation. The purpose of the section is to give legal effect to the change which has been made. It is recommended that in line 20 of section 8, the words "deliver to the collector of taxes" be stricken out, and that following the word "shall" in said line there be inserted the words "be charged with the duty of preparing the annual"; that in line 21 the words "and to" be stricken out, and the words "which shall" be inserted; and that in line 22, following the word "preparation" there be inserted the words "by him," so that section 8 would read as follows:

"SEC. 8. That the assessor of the District of Columbia shall be charged with duty of preparing the annual tax ledgers kept on a numerical system, which shall be finished or completed at such time as will allow the preparation by him of tax bills for collection purposes."

Section 9.—The purpose of this section is to require the licensing of phrenologists. The corporation counsel of the District of Columbia has decided that the words "fortune tellers" does not include phrenologists, with the result that the latter practice at the present time in the District of Columbia without a license. The same reason also applies to "section 32-a" of section 9, with reference to dancing instructors. Under the present law, public halls are required to pay an annual license of \$100. Dancing instructors are not required to obtain a license. It is proposed that licenses shall also be required of dancing instructors.

Section 10.—It is proposed by this section to require the payment of a license fee of \$5 by all public guides in the District of Columbia.

There will be no objection if sections 9 and 10, as they now appear in S. 3053, should be stricken out of the bill and the features covered by these sections submitted in a separate bill. They are not of sufficient importance to permit of jeopardizing the enactment of the really imperative changes required in the other tax laws referred to.

Section 11.—This section should be changed to section 9 in the event that the present sections 9 and 10 of S. 3053 are eliminated. It is proposed by this section to provide a method of keeping accurate data on real estate sales, and enable the office of the assessor to gather this information at a saving of about \$10,000 a year, since such data at present are gathered by a field force which could very advantageously be shifted to other classes of work in the assessor's office. No change is recommended in the language of the present section 11 of S. 3053.

It is recommended that a new section 12 (or section 10 in the event that the present sections 9 and 10 are eliminated) be added to S. 3053, reading as follows:

"SEC. —. That section 1 of 'An act to amend an act entitled "An act in relation to taxes and tax sales in the District of Columbia," approved February 28, 1898,' approved July 1, 1902, is hereby amended so as to provide that the Commissioners of the District of Columbia shall give notice by advertising twice a week for three successive weeks, beginning on the third Monday in December of each year hereafter in the regular issue of three daily newspapers published in said District, that the said pamphlet has been printed."

The purpose of this section is to move up the time of annual tax sales for nonpayment of taxes so that this date shall not conflict with the time provided for the collection of taxes and for the further purpose of harmonizing the tax-sale period with the change in tax-collection months.

It is recommended that a new section 13 (or section 11 in the event that the present sections 9 and 10 are eliminated) be added, reading as follows:

"SEC. —. That the provisions of this act shall be in force and effect on and after December 1, 1926."

It is considered advisable that this law if enacted shall be effective as of December 1, 1926, as any other date would seriously conflict with changes in the methods of the assessor's office of making assessments and holding appeals.

It may be said in conclusion that S. 3053, amended in the manner proposed in this letter, would provide a measure having economic advantages in handling District finances and would be a help to assessment accuracy and to the administration of the assessor's office.

Very truly yours,

D. J. DONOVAN,
Auditor of the District of Columbia

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